

Budget Tidbits... just the facts

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Budget Brief #1: (1/10/07)

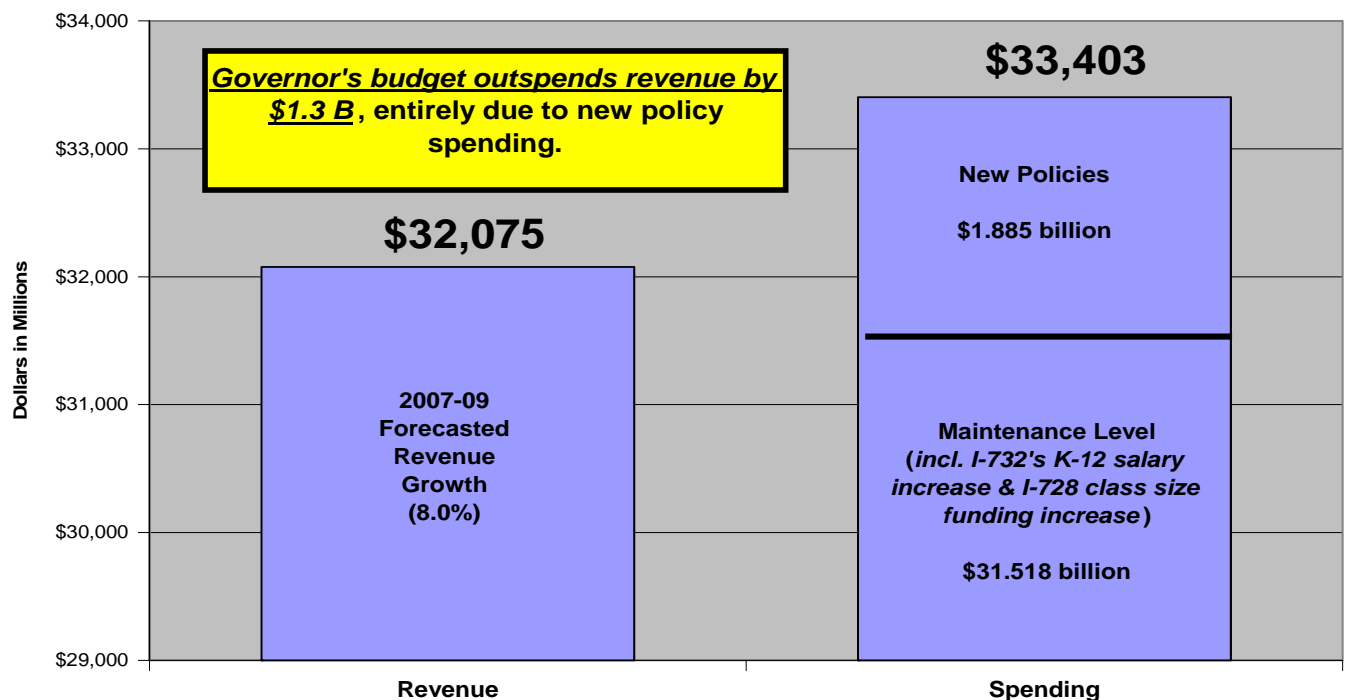
The Epitome of Mismanaged Finances

Part one of a multi-part look at the Governor's budget and what it means for the future.

A. Spending Far Exceeds Revenues, Due Entirely to New Wants

Governor's Proposed 2007-09 Operating Budget

(Near General Fund State)



*Source: Spending: LEAP 12/21/06 (calculated from 2006 supp. spending level); Revenue: ERFC, Nov. 2006 Forecast, plus ELTA + EJA forecast per leg. staff

- The most notable point is this: allusions to a “structural deficit” are false. The state’s incoming revenues – *without ever touching the \$1.9 billion reserve* – are adequate to continue all existing programs, including a half-a-billion increase for K-12 salaries and lower class sizes.
- In fact, merely continuing everything the state’s currently doing would result in the surplus increasing from \$1.9 billion to \$2.5 billion at the end of 2007-09.

B. Self-Inflicted Deficit

- Projections from the Governor’s budget office show that – despite the largest reserve in history and assumptions of over 10 percent revenue growth in future biennia – her budget would put the state in deficit in 2009-11.

- The Governor characterizes the 2009-11 deficit as \$650 million. But this is misleading. What is not mentioned is this assumes completely draining the proposed constitutional rainy day fund – a fund designed (and touted) to be accessed during recessions, not a healthy economy.
 - *Interestingly the Governor is selective when choosing a deficit figure. When she took office, she justified raising taxes by citing a deficit figure that included within it an amount set-aside for a reserve (thus inflating the amount of the problem). But now, desiring to minimize the problem, she cites a figure without a reserve set-aside.*
- Assuming the rainy day fund is reserved for a downturn, the Governor’s budget puts the general fund in a \$1.2 billion hole in 2009-11 and a \$2.8 billion hole the following biennium.¹

C. Putting Growth in Context

- Adopting the Governor’s budget would result in near general fund spending growth of \$8.2 billion over her four years in office, a 33 percent increase. To put this in context:
 - During Gov. Locke’s EIGHT YEARS in office spending grew by \$6.8 B, a 37 percent increase.²
 - State expenditures have risen by \$5.7 million every day of Gov. Gregoire’s tenure.
 - State government costs \$978 more per person (or \$3,912 for family of four) than when Gov. Gregoire took office.³

D. Fellow Democrats Calling for More Restraint

- House Majority Leader Lynn Kessler, characterized as a big supporter of Gregoire’s, was “surprised” at the governor’s spending level. *“It’s a little more aggressive than I thought it’d be.”*
- Rep. Brian Blake stated he wanted the legislature to show more restraint. *“I’m concerned and I would like to see us carry a little bit more forward than she has.”*
- Perhaps Rep. Dean Takko put it best: *“I’d like to see a little bit more put aside in the end. If we can get the rainy day fund approved, I certainly don’t want to spend it two years from now.”*⁴

Bottom Line

Is it wise to knowingly spend the state into a self-inflicted and entirely preventable deficit?

¹. Office of Financial Management, Six Year Outlook (12/19/06)

². Source: LEAP, Near General Fund Growth. (Locke: 95-97 to 03-05, 04 supp; Gregoire 03-05, 04 supp to 07-09 proposed)

³. Source: Expenditures – LEAP; Population – OFM Forecast of State Population 1990-2030.

⁴. All three quotes from *“Several local legislators want more conservative budget”*, Aberdeen Daily World (1/2/07).